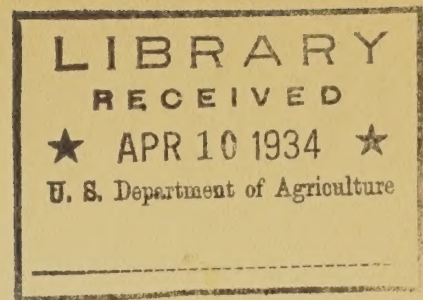


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FACTORS INVOLVED IN A PROGRAM FOR INCREASING PRICES TO
PRODUCERS WITHOUT A REDUCTION IN PRODUCTION.

The possibility of increasing prices to producers of dairy products without reducing production rests upon the nature of the elasticity of demand for dairy products. It is well recognized that reduction programs can have little effect unless they are associated with an increase in price more than proportional to the decrease in production.

Certain nutritive properties of dairy products should, of course, be recognized in any program involving a reduction in consumption.

Competent dietitians are practically unanimous in agreeing that milk and its products are of high nutritive value. "Milk contributes more to good nutrition than does any other single food. It has no equal among foods as a source of calcium, and is valuable also for other materials necessary throughout life. When taken in suitable quantities, milk is a dependable source of calcium, phosphorus, protein, Vitamin A, and Vitamin G.".....
"Families on low-cost diets need a generous milk allowance." 1/

In view of these facts it is evident that from a nutritive standpoint any program that would decrease the per capita consumption of dairy products is highly undesirable. An increase in consumption is probably desirable.

The per capita annual consumption of milk used in cities and villages has not changed materially since 1925. Per capita consumption varied from 38.9 gallons in 1925 to 40.8 gallons in 1929, decreasing to 40.0 gallons in 1932.

1/ Carpenter, R. S., United States Department of Agriculture Farmers' Bulletin No. 1705, page 2.

TABLE A. - Per Capita, Annual Consumption of Dairy Products in the United States

Year	:Milk :equiva- :lent,all: :products: : 1/	:Milk used: :in cities: :and :villages : 2/	:Butter : 3/	:Cheese : 4/	: : : : :	Condensed and evaporated milk 5/
	Gallons	Gallons	Pounds	Pounds		Pounds
1925	: -	: 38.9	: 17.39	: 4.26	: Condensed 14.87	Evaporated
1926	: -	: 39.3	: 17.76	: 4.36	: 2.75	11.56
1927	: -	: 39.6	: 17.49	: 4.14	: 2.60	11.59
1928	: -	: 39.8	: 17.12	: 4.11	: 2.56	12.50
1929	: 94.2	: 40.8	: 17.29	: 4.62	: 2.75	13.83
1930	: 95.0	: 40.6	: 17.30	: 4.71	: 2.66	13.95
1931	: 96.7	: 40.0	: 18.00	: 4.49	: 2.29	13.70
1932	: 95.5	: 40.0	: 18.14	: 4.39	: 1.80	14.41

1/ Based on revised production data and estimates of utilization issued November 21, 1932. (Milk and butterfat production and utilization in the United States in 1929, 1930, and 1931.) The production estimates differ from some previously published in that they do not include all milk secreted by the cows but include such milk as farmers ordinarily consider as produced. They exclude milk sucked by calves and milk spilled or lost up to the time it is measured, skimmed, or delivered.

2/ Milk and the milk equivalent of cream consumed per capita by that part of the population not on rural farms. These estimates include some milk and cream used in such products as ice cream and supercede estimates previously issued.

3/ Includes both farm and factory butter. These estimates include some butter used in other products such as ice cream.

4/ Includes all kinds of cheese except cottage, pot and bakers'.

5/ Includes some condensed and evaporated milk used in other products, also includes both whole and skim milk product.

The per capita annual consumption of butter has increased slightly during the period 1925 to 1932, ranging from 17.39 pounds in 1925 to 17.12 pounds in 1928, increasing to 18.14 pounds in 1932.

Of the remaining dairy products on which data is available, per capita annual cheese consumption ranged from 4.26 pounds in 1925 to 4.11 pounds in 1928, and was 4.39 pounds in 1932. Condensed milk (both whole and skim) per capita consumption declined from 2.75 pounds in 1926 to 1.80 pounds in 1932. Evaporated milk per capita annual consumption increased from 11.56 pounds in 1926 to 14.41 in 1932.

The per capita annual consumption of all products has increased from 94.2 gallons to 95.5 gallons in 1932*, which represents a decline of 1.2 gallons from that of 1931.

While production and consumption of dairy products have not changed materially over the past few years, it is impossible to determine what particular income groups have changed their milk products consumption habits in this period (1925-1932). It is probable that very low income groups, and especially the unemployed, have materially decreased their purchases of milk and milk products. This factor has probably been counteracted by the substitution of milk for other more costly foods in the diet of people on reduced incomes, and by purchase of butter for relief purposes. An increase in the consumption of dairy products by the classes enumerated above is highly desirable, and will no doubt be effectuated when the re-employment and recovery programs begin to have an appreciable effect on consumer purchasing power.

Effect of price changes on the demand for dairy products.

(a) Market Milk. The results of several studies of factors affecting the demand for market milk indicate that within limits the demand is inelastic.

"Milk prices, like prices of other products, are subject to the law of supply and demand. A quantitative study, however, shows that there is little elasticity in the demand for milk so long as prices are kept within reasonable limits. For this reason, it is impossible to move a large amount of surplus milk into consumptive channels by lowering the price." 1/

In the case of market milk a restriction in marketings would increase returns to producers.

(b) Butter. There are no analyses of butter prices available that give an adequate basis for determining the elasticity of demand for butter during the chaotic market conditions prevailing since 1929.

* Fluid Milk Equivalent.

1/ Ross, H. A., United States Department of Agriculture Technical Bulletin No. 73, page 54. See also United States Department of Agriculture Circular No. 16, page 59.

gain to producers would be approximately the value of the amount disposed of in non-competitive channels.

(b) Utilization of a larger volume of milk products in baking, confectionery, etc. Practically no data are available relative to the utilization of milk and milk products in the manufacture of other products, such as baking, and confectionery products. The conversion of a portion of the supply to such uses is probably desirable, and would operate to the benefit of producers, who would gain the value of the volume of dairy products so disposed of. However, care should be exercised in a program of this sort, due to possibilities of disorganization of the market for products for which butter would presumably be substituted.

TABLE 1. - CHEESE: Index Numbers of Volume of Money Spent by Consumers. 1920-1933 ^{1/}
(Average 1923-1925 = 100)

Year:	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1920:						93	93	92	90	88	85	82
1921:	81	81	78	77	77	77	76	75	74	73	73	73
1922:	74	74	75	78	79	80	81	82	83	85	86	88
1923:	89	90	92	93	93	94	95	96	98	99	100	100
1924:	100	100	100	98	99	98	97	97	97	97	98	100
1925:	101	103	102	104	105	107	108	109	110	110	108	109
1926:	108	107	108	107	108	107	107	106	106	107	108	108
1927:	108	109	109	110	110	110	110	111	112	112	112	112
1928:	113	112	113	113	113	113	115	115	116	117	118	120
1929:	124	125	125	126	126	127	127	126	127	128	128	127
1930:	125	125	123	122	120	119	117	115	113	110	108	105
1931:	103	100	99	97	95	93	91	89	87	85	83	81
1932:	80	79	78	76	76	75	74	73	72	71	71	70
1933:	71	70	70									

^{1/} Compiled by Division of Historical and Statistical Research.

TABLE 2. - BUTTER: Index Numbers of Volume of Money Spent by Consumers. 1920-1933 ^{1/}
(Average 1923-1925 = 100)

Year:	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1920:	85	:	86	86	:	86	86	86	86	85	83	81
1921:	80	80	79	78	:	77	76	75	75	73	75	76
1922:	76	75	76	76	:	78	80	82	84	86	88	89
1923:	91	93	95	96	:	98	99	100	101	100	99	99
1924:	99	98	97	96	:	96	95	93	94	95	97	99
1925:	100	101	103	106	:	107	108	109	110	109	109	109
1926:	108	108	108	107	:	109	110	110	111	112	116	117
1927:	117	117	117	118	:	118	118	118	118	117	114	114
1928:	115	116	116	116	:	117	117	117	117	118	119	119
1929:	120	120	120	121	:	120	118	117	115	115	113	111
1930:	110	109	108	107	:	104	103	101	100	98	95	93
1931:	91	89	87	86	:	84	83	82	80	78	77	76
1932:	74	73	71	68	:	65	64	63	61	61	61	62
1933:	63	63	63	63	:	62	:	:	:	:	:	:

^{1/} Compiled by Division of Historical and Statistical Research.

TABLE 3. - Index of Factory Payrolls Adjusted for Seasonal Variation
(Federal Reserve Board)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Seasonal Variation	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1919	97.1	102.2	103.8	101.6	101.0	99.6	96.3	99.7	100.1	103.3	100.9	101.1
1920	100	89	88	90	90	93	100	101	106	98	104	112
1921	111	113	120	120	122	126	125	123	121	114	107	98
1922	86	80	79	78	77	76	75	75	74	71	71	73
1923	72	71	72	73	76	81	81	82	86	86	92	95
1924	97	94	99	102	106	108	107	104	105	104	104	102
1925	101	101	100	100	96	92	88	89	92	92	93	96
1926	98	99	99	99	100	99	101	100	99	102	104	104
1927	104	103	104	104	103	104	103	104	105	105	104	103
1928	102	102	102	103	103	103	102	102	102	99	98	98
1929	99	99	99	99	100	101	102	103	104	104	103	103
1930	104	106	107	110	110	110	109	110	110	106	101	98
1931	97	95	94	95	93	91	85	82	83	78	74	73
1932	70	72	72	72	72	68	67	64	62	58	56	55
1933	54	52	50	48	46	43	41	40	42	42	41	40
1933	40	39	36	38	42	46	52	56	58	56	53	53

Figure 2.-- Relationship between index of Factory Pay Rolls and Retail Butter Price
1926-1933

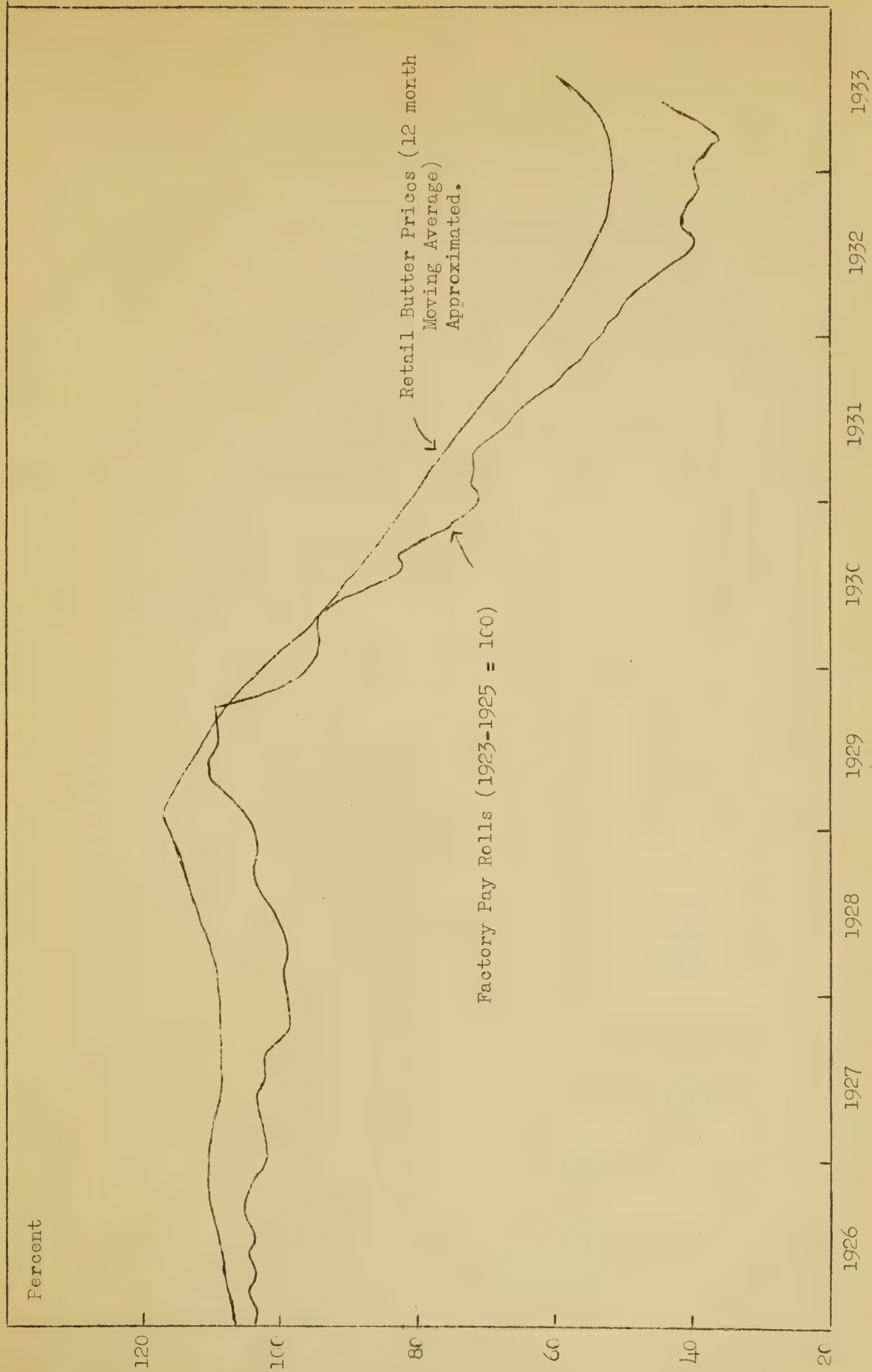


Figure 1.- Relationship Between Volume of Money Spent by Consumers
for Butter and Cheese and Factory Pay Rolls.
1920 to 1933.

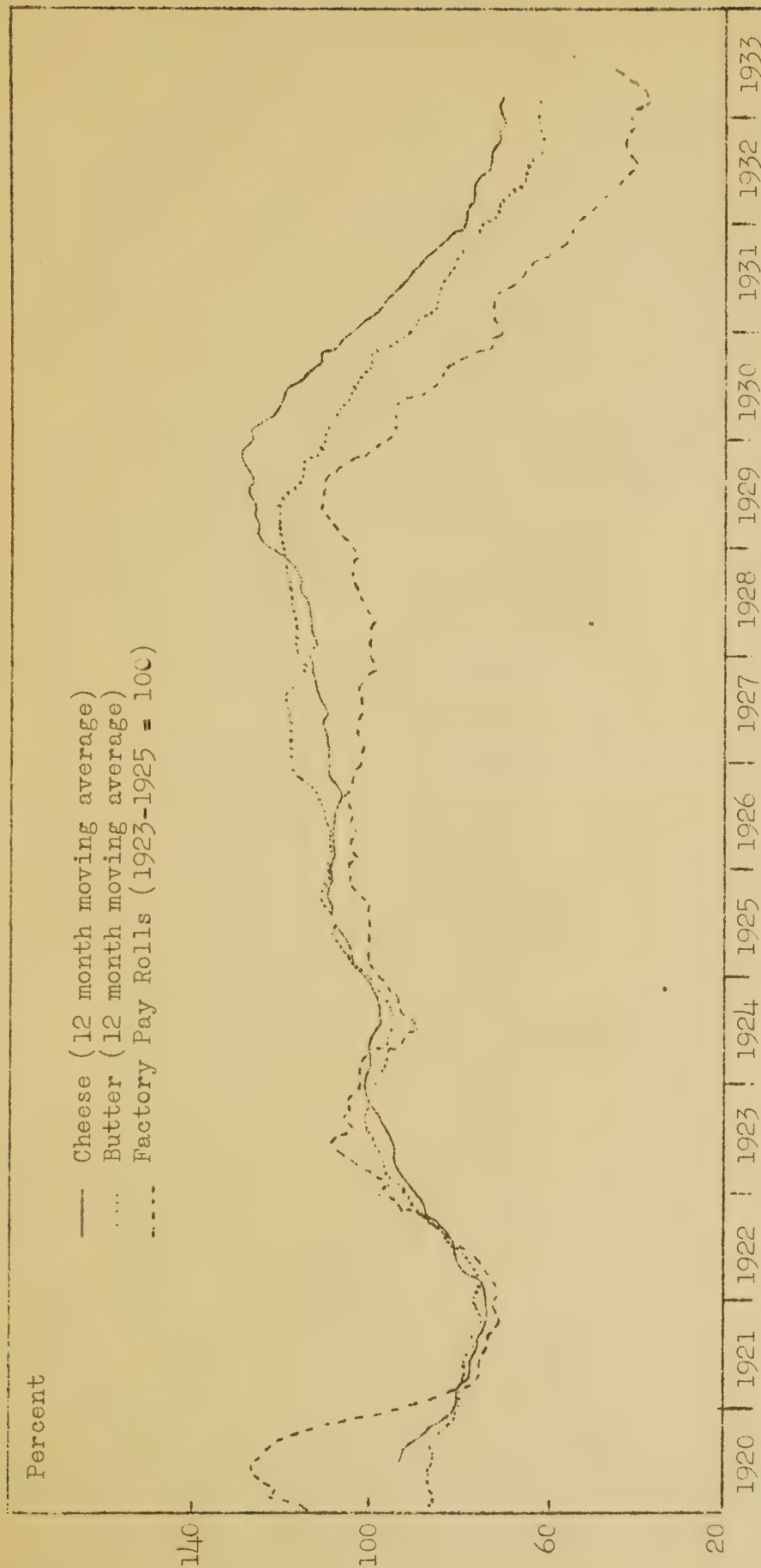


Figure 1.- Consumer expenditures for butter and cheese vary directly with factory payrolls.
The rather marked rise in the index of consumer expenditures for cheese in 1929
to April, 1933, is due to the compilation of more complete reports.

(c) Possibilities of Export.

Volume and destination of our butter exports.

Exports of butter from the United States reached their peak of 39,000,000 pounds in 1880, declined, but increased as recently as 1919 to 34,000,000 pounds. Such export trade as the United States has retained from the war-time revival is principally with other than European countries. In the year ended June 30, 1933, our total exports of 1,386,000 pounds were widely scattered to some fifty different countries. Whenever, in the last twenty years, the volume of our export trade in butter has exceeded 6,000,000 or 7,000,000 pounds, as it did for a time during and following the war, the excess has gone to Europe and chiefly to Great Britain.

Countries outside of Europe, while comparatively free from restrictions upon imports of our butter, are individually and as a whole rather unimportant in the total volume thus far imported. Table 4, below, shows for the latest year for which figures are available, the total imports of some of the more important of the non-European countries with which some export trade from the United States is established.

Table 4.- Butter: Total imports into various non-European countries

Year	Country	Total imports
		Pounds
1928	Mexico	1,015,000
1929	Chile	28,000
	Venezuela	1,801,000
1930	Cuba	448,000
1931	Peru	270,000
1932	Argentina	6,000
	Canada	238,000
	China	1,423,000
	Japan	164,000
	Philippine Islands	1,336,000

Exportation of butter from the United States fell off sharply following the abnormal war-time demand and has gradually dwindled to quite a negligible volume. Table 5 summarizes the course of our total export and import trade since the war with pre-war years given for comparizon, together with tariff rates in effect.

Table 5.- United States: Exports and imports of butter, fiscal years 1910-1914 and 1914-1915 to 1932-1933, together with tariff rates in effect over the period 1/

Year :	Domestic exports :	Imports :	United States tariff rates on :
ending : June 30 :	1,000 pounds :	1,000 pounds :	butts with dates of change :
:	:	:	Cents per pound : Date effective
1910-1914:	4,278	2,480	2.5 : Oct. 4, 1913
1914-1915:	9,851	3,828	:
1915-1916:	13,487	713	:
1916-1917:	26,835	524	:
1917-1918:	17,736	1,806	:
1918-1919:	33,740	4,131	:
1919-1920:	27,156	20,771	:
1920-1921:	7,829	34,344	6.0 : May 28, 1921
1921-1922:	7,512	9,551	:
1922-1923:	9,410	15,772	8.0 : Sept. 22, 1922
1923-1924:	5,425	29,466	:
1924-1925:	8,384	7,189	:
1925-1926:	5,280	6,440	12.0 : April 1, 1926
1926-1927:	5,048	10,710	:
1927-1928:	3,965	4,955	:
1928-1929:	3,778	3,299	:
1929-1930:	3,582	2,851	14.0 : June 18, 1930
1930-1931:	2,293	1,329	:
1931-1932:	1,578	1,838	:
1932-1933:	1,386	991	:

1/ Division of Statistical and Historical Research, B. A. E.

Relative importance of British market.

Great Britain has until very recent years been absorbing quite uniformly about two-thirds of all the butter moving into international trade. In 1931, this proportion was increased to nearly three-fourths, and in 1932 was further increased to about 80 percent. Table 6, below, shows the total international movement of butter as accounted for in the trade statistics of from 33 to 36 countries and the proportion imported by the most important countries. For data covering international trade of these countries in detail, see Yearbook of Agriculture, 1933, p.649.

Table 6.-Butter: Total volume of international trade and proportion accounted for by principal importing countries, average 1909-1913, annual 1925-1932

Calendar Year	Proportion imported by:				Total imports
	Great Britain	Germany	France, Belgium and Switzerland		
Average,	Percent	Percent	Percent		Pounds
1909-1913	69.5	17.0	5.9		654,989,000
1925	67.3	23.2	3.8		916,216,000
1926	67.0	23.1	2.6		934,423,000
1927	64.2	24.5	3.4		974,302,000
1928	65.2	27.3	2.6		1,022,588,000
1929	64.0	27.2	3.2		1,097,719,000
1930	64.6	25.5	4.7		1,152,149,000
1931	73.2	18.7	9.0		1,181,354,000
1932	78.9	12.8	6.8		1,200,000,000

European markets alternative to Great Britain.

European countries other than Great Britain that normally import butter or such European countries as normally export a surplus but in recent years have shipped in some of the cheaper foreign butters while continuing to export their own product, all have set up restrictions in the form of tariffs or import quotas or combinations of both which leave the British market by comparison relatively free. The present import duty of 15 shillings per hundredweight of 112 pounds, equivalent at exchange as of November 16 to about $3\frac{1}{2}$ cents per pound on all non-Empire butter entering the United Kingdom as the sole restriction is by comparison with the restrictions upon importation into other European countries quite nominal.

European countries of secondary importance in volume of imports, principally France, Belgium, Switzerland and the Netherlands in 1931 and 1932. absorbed unusually large quantities of foreign butter that had first been shipped to Great Britain and then re-exported. The time between the marked increase in this re-export trade in 1931 and its even more marked decline in 1933 was a period in which restrictions upon such trade were being set up and strengthened until their combined effect was to limit these outlets to about the quantities being taken by them before the shift.

Re-exports from the United Kingdom by countries as shown in Table No. 7, below, indicate something of the recent importance of such markets as well as their declining importance in the current year in providing outlets alternative to the British market or as means of relieving the latter of over-supply.

Table 7.- United Kingdom; Re-exports of butter by countries,
January - September, Inclusive, 1930-1933 1/

Country of destination	Nine months, Jan.-Sept.			
	1930	1931	1932	1933
	: 1,000 pounds	: 1,000 pounds	: 1,000 pounds	: 1,000 pounds
Germany	: 852	: 2,369	: 5,822	: 881
Netherlands	: 1,080	: 2,453	: 6,332	: 321
Belgium	: 596	: 4,245	: 6,998	: 780
France	: 871	: 9,047	: 4,304	: 965
Switzerland	: 518	: 1,352	: 1,768	: 43
Irish Free State . . .	: 2,788	: 2,902	: 2,110	: 7
Canada	: 246	: 871	: 169	: 275
Other countries . . .	: 2,071	: 2,599	: 3,356	: 3,910
Total	: 9,022	: 25,838	: 30,865	: 7,182

1/ Accounts relating to Trade and Navigation of the United Kingdom, September 1932 and 1933.

Union of Soviet Socialist Republics as possible outlet for American Butter.

Russia was before the war, and is now a butter-exporting country. In fact, exportation of butter from that country has recently been increasing in volume, as shown in Table 8, below. Since, however, the exports originate under the present regime as "procurements" by the state and the proportion of the butter thus procured that is eventually exported depends upon the export policy of the Soviet Government, it does not mean that these exports represent a national "surplus" in the usual economic sense. Procurements under the present system are made by fixing the quantity on the basis of so much milk or its equivalent in butter per cow, and are thus more successful than in earlier attempts when peasants might choose to consume their produce rather than sell it at the stipulated procurement prices thereby limiting the "surplus". As to the consumption of butter in the Soviet Union, no definite information is now available. Reliable information, however, all points to the existence of a scarcity of foods, particularly of fats. Livestock numbers including cows are seriously depleted.

Table 8.- Union of Soviet Socialist Republics: Numbers of cattle and cows, milk production, procurements and exports of butter, 1928-1932.

Year	All Cattle	Cows	Milk Production	Butter	
				Procurements	Exports
	Number	Number	Pounds	Pounds	Pounds
1928	70,500,000	30,700,000	67,216,000,000	181,064,000	71,888,000
1929	67,100,000	30,400,000	64,672,000,000	171,494,000	55,933,000
1930	52,500,000	26,700,000	58,581,000,000	90,476,000	23,197,000
1931	48,700,000	-----	-----	178,996,000	68,023,000
1932	29,200,000	17,700,000	-----	-----	67,007,000
1932	-----	-----	-----	-----	-----
Jan.-Sept:	-----	-----	-----	-----	51,288,000
1933	-----	-----	-----	-----	-----
Jan.-Sept:	-----	-----	-----	-----	62,443,000

Since 1929, when intensive collectivization of farms was undertaken by the Soviet Government, widespread slaughter or loss of their cows and other livestock by the peasants has resulted in a continuous decline in the total number of cows in the Union from 30,700,000 in 1928 to 17,700,000 in 1932, according to latest reliable estimates. Latest available estimates of milk production show a market decline from 67,216,000,000 pounds in 1928 to 58,581,000,000 pounds in 1930.

Government procurements of butter appear to have reached their lowest point in 1930 as did likewise the exports of butter. The continuous increase shown in butter exports since that time may indicate the need to increase exports to pay for imports together with greater effectiveness in requisitioning the butter produced rather than any increase in total domestic supply. In fact, all available information leads to the conclusion that within the Soviet Union there is at present, despite continued exports, an actual scarcity of butter. According to information available for the first time as to Russian margarine production, there was produced in the Union in 1932, a total of 83,775,000 pounds, which exceeded considerably the exports of 67,123,000 pounds of butter in that year.

Governmental policies recently adopted plainly aim to encourage greater production per cow and the increase in numbers of cows to replenish herds.

The Soviet Government, it must be remembered, has, since 1918, monopolized all foreign trade, both exports and imports. Accordingly, foreign competition, in the usual sense, does not operate in the domestic market of the Soviet Union. All foreign trade is carried on as determined by the government in general economic and financial interest of the state.

There is in the Union no competitive domestic market price of butter affecting the foreign trade since procurement prices are fixed by the government in the domestic currency which has at present no established foreign exchange value. The policy of the Soviet Government is the paramount consideration in determining all foreign trade.

German butter markets effectually closed to United States

Despite the relatively high butter prices in terms of our currency now prevailing in Germany, particularly since margarine production and consumption have been subjected to drastic restriction in that country, the German market is effectually closed to any butter from this country. The German tariff is about 8 cents a pound at par of exchange and about 12 cents at prevailing exchange rates. But entirely aside from the tariff, import quota restrictions alone would now exclude our butter since the quotas are fixed on the basis of the volume each country was shipping in years prior to setting up of quota restrictions.

It should be noted, however, that a State Department inquiry is being conducted in which one of the proposals set forth for study has to do with

the feasibility of obtaining from the German Government the inclusion of a quota of butter from the United States in consideration of exports of liquor by Germany to this country.

Consumption of butter in United Kingdom enormously increased.

Since 1930, the average import value of all butter shipped into the United Kingdom has fallen by nearly one-half and the total consumption has increased by one-third. During the first 9 months of 1933 practically as much butter has been imported and nearly as much consumed as in the entire year 1930. Domestic production in Great Britain was officially reported as having amounted in 1930-31 to 89,286,000 pounds against 75,376,000 pounds in 1924-25. Northern Ireland in 1930-31 produced 18,648,000 pounds giving a total domestic output for the United Kingdom in that year of 107,934,000 pounds. Any further change in domestic supply since 1930 must have affected only slightly the total consumption trend since the consumption of imported butter alone will approximate 1,000,000,000 pounds in 1933.

Table 9:- United Kingdom: Imports, import value, reexports, stocks and apparent consumption of butter, 1930 - 1932 and January - September, 1932 and 1933

Year and month	Total imports	Import value	Minus reexports	Plus reduction or minus accumulation in stocks	Apparent Consumption
	<u>Pounds</u>	<u>Shillings per pound</u>	<u>Pounds</u>	<u>Pounds</u>	<u>Pounds</u>
1930	: 764,021,000	: 1.23	: 19,399,000	: a/ + 4,973,000	: 749,535,000
1931	: 902,728,000	: 1.02	: 32,362,000	: - 7,204,000	: 856,162,000
1932	: 946,300,000	: .88	: 34,454,000	: -12,734,000	: 899,112,000
Jan.-Sept.	:	:	:	:	:
1932	: 713,413,000	: .89	: 30,865,000	: -20,911,000	: 661,637,000
1933	: 759,036,000	: .68	: 7,182,000	: -17,063,000	: 734,791,000

a/ Exclusive of stocks in Northern Ireland.

Stocks of butter held in cold storage in Great Britain which had been abnormally heavy during the greater part of the year were reduced by October 15 to 44,567,000 pounds or nearly to the level of corresponding dates in earlier years. A year earlier they amounted to 42,131,000 pounds and 2 years earlier to 40,613,000 pounds.

Consumption of Oleomargarine in United Kingdom falling off.

Oleomargarine consumption in the United Kingdom has been checked as reflected in lessened domestic production and still more in a marked falling off in importation. In 1931 the per capita consumption had declined to 9.2 pounds from 12.4 pounds in 1924, according to the Empire Marketing Board while butter consumption had increased from 14.8 pounds to 20.7 pounds. No more recent official information was available until on October 13 when the Board published some figures of current production of oleomargarine which revealed that, to a considerable extent, this product has been superseded by cheap butter.

The domestic output calculated for the current year at the weekly rate reported during these 3 months would approximate 390,000,000 pounds. For earlier years, figures available indicate that oleomargarine production was unofficially estimated to have amounted to 358,000,000 pounds in 1924 and 448,000,000 pounds in 1928. If the imported supply is added to the domestic output as estimated, the falling off in consumption is more apparent, since importation has almost ceased, as shown below.

Table 10:- Oleomargarine: Imports into United Kingdom, 1924 - 1932, and January - September 1932 and 1933

Year	:	Imports	:	Year	:	Imports	:	Year	:	Imports
	:	1,000	:		:	1,000	:		:	1,000
	:	<u>pounds</u>	:		:	<u>pounds</u>	:		:	<u>pounds</u>
1924	:	146,384	:	1928	:	123,170	:	1932	:	10,347
1925	:	154,856	:	1929	:	105,991	:	Jan. - Sept.	:	
1926	:	149,113	:	1930	:	94,462	:	1932	:	8,851
1927	:	132,378	:	1931	:	77,343	:	1933	:	2,749

During the 3 months for which oleomargarine production was reported in the United Kingdom, July - September 1933, imports amounting to 847,392 pounds would make the total available for consumption, disregarding stocks, approximately, 7,572,000 pounds per week. This is roughly one-third of the weekly average consumption of butter for the current year. Otherwise stated, about 3 pounds of butter are now being consumed in the United Kingdom for each pound of oleomargarine consumed.

Not only has the fall in butter prices in itself stimulated consumption of butter, but the price of butter in relation to the price of margarine, as well, has resulted in the recovery of much of the potential demand for butter previously held by oleomargarine. Yearly average wholesale prices of best Danish butter and a high-grade oleomargarine in London, both converted to United States currency at prevailing monthly average rates of exchange are compared in the following table, showing that whereas in earlier years the oleomargarine was quoted at about one-half the price of the butter, in very recent years this ratio has risen as high (in 1931) as two-thirds.

Table 11:- London: Yearly average wholesale price per pound of butter and oleomargarine, 1926 - 1932, and September 1933

Commodity	: 1926	: 1927	: 1928	: 1929	: 1930	: 1931	: 1932	: Sept. 1933
	:Cents	:Cents	:Cents	:Cents	:Cents	:Cents	:Cents	:Cents
Butter (Best Danish)	: 40.0	: 39.2	: 40.7	: 39.1	: 33.2	: 26.9	: 19.2	: 24.3
Margarine (Marigold)	: 19.6	: 19.2	: 19.1	: 19.1	: 19.1	: 17.8	: 11.9	: 15.4
Margarine price in relation to butter price	: Per- cent	: Per- cent	: Per- cent	: Per- cent	: Per- cent	: Per- cent	: Per- cent	: Per- cent
	: 49	: 49	: 47	: 49	: 57	: 66	: 62	: 63

Current costs of exporting butter to Great Britain

As of November 16, 1933, the price of 23.5 cents per pound on 92-score butter in New York was equivalent at exchange on London as of that date (\$5.51) to 95S 6d per hundredweight of 112 pounds. Cabled reports as of that date quoted Danish butter in London at 119-120S, and finest New Zealand at 85-88S per hundredweight.

Shipping from New York under refrigeration to London was quoted at that time at \$1.10 per 100 pounds equivalent to 4S 6d per 112 pounds. (From London to New York, shipping under refrigeration was quoted at the same time at 95S per ton of 2,240 pounds or 4S 9d per 112 pounds).

The import duty on butter entering Great Britain from all countries other than the Dominions and hence applicable to shipments from the United States is 15S per 112 pounds.

Combining the costs as of that date of purchasing 92-score butter at the New York price, ocean transportation and the British import duty, which would approximate total costs, delivery in London could be made at about 115S per 112 pounds thus necessitating the realization of a price much above the prevailing London price of finest New Zealand butter and somewhat under the quotation on Danish. An unusually wide margin prevails at this time between New Zealand and Danish in London. The Danish usually commands a premium on account of its comparative freshness, although the bulk of the British imported supply is necessarily of "held" butter.

Butter from storage stocks quoted as "held" butter is, of course, several cents below fresh butter of the same grade. New York quotations on "held" butter, 92-score, on the same date were 21.5 to 22.5 cents.

How closely the domestic market has approached an export basis is indicated by the following comment from the "Producers' Price-Current" of November 18, published in New York.

"We understand that freight has been engaged on the steamer 'American Farmer' sailing next week for London for 250 boxes of New Zealand butter which arrived here last April for use in the tropical trade. The outgoing lot was sold in England at a better price than could be realized here at present. However, the condition of the British markets does not hold out any hope of shipment of American goods."

Possibility of quota restrictions upon imports into Great Britain

Although under the terms of agreement reached in the Ottawa Conference in August 1932, further changes affecting the entry of butter into Great Britain were precluded except by mutual agreement for a period of three years, discussion of restriction by quotas to include the Dominions is now widespread.

According to editorial comment in the Primary Producers' News of Sydney, Australia, in its issue of September 8, 1933,

"*****the British Government has committed itself to the quota as a policy,*****There are two outstanding reasons for the growing importance of the farming

industries in the eyes of British political leaders. The first of these is that it has recently become clear that Britain has little chance of reestablishing immediately her industrial and commercial preeminence and her Government has, therefore, commenced to look with growing earnestness towards the land as a possible means of absorbing some of the tens of thousands of unemployed whose chance of re-employment in secondary industry is now practically nil. The second reason is to be found in the lessons of the German submarine campaign during the Great War."

Embargo could be invoked against our butter in case of direct government aid to exportation.

Exportation of butter from the United States to the United Kingdom would have to be planned in the light of an Act of the British Parliament of November 15, 1932, entitled:

"An Act to enable effect to be given to the Agreements made on the twentieth day of August, nineteen hundred and thirty-two at the Imperial Economic Conference held at Ottawa, and to a certain announcement made at that Conference on behalf of His Majesty's Government in the United Kingdom, by imposing and providing for the imposition of certain duties of customs and otherwise, to make provision for Imperial preference, and for purposes consequential on and connected with the matters aforesaid."

Section (1) of Paragraph 5 of that Act states that:

"If at any time the Board of Trade are satisfied that any preferences granted by this Act in respect of any particular class or description of goods, being preferences granted in fulfillment of the agreement set out in Part I of the First Schedule of this Act, are likely to be frustrated in whole or in part by reason of the creation or maintenance, directly or indirectly, of prices for that class or description of goods through State action on the part of any foreign country, the Board of Trade may by order prohibit the importation into the United Kingdom of goods of that class or description grown, produced or manufactured in that foreign country."

TABLE 12. - UNITED KINGDOM: Five-Year Average Imports of Butter, by Months, 1928-29 to 1932-33

Item	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Total
Average, 1928-29 to 1932-33	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	1000 lbs.	10000 lbs.
Imports	75,325	67,346	55,847	56,165	56,707	73,217	75,664	66,947	72,132	72,839	76,833	85,362	830,284
Per- : Per- : Per- : Per- : Per- : Per- : Per- : Per- : Per- : Per- : Per- : Per- : Per-	cent : cent : cent : cent : cent : cent : cent : cent : cent : cent : cent : cent : cent : cent												
Percentage of :													
yearly total	9.1	8.1	6.7	6.7	6.8	8.8	9.1	8.0	8.6	8.7	9.2	10.2	100.0

TABLE 13. - BUTTER: Five-Year Average of Monthly Average Prices per Pound, 1928-29 to 1932-33 of 92 Score in New York, and Finest New Zealand in London with Corresponding Price Margins

Market & description	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
New York, 92-score	33.2	35.6	37.6	37.6	36.7	35.7	31.3	31.0	31.1	30.1	28.7	27.9
London, finest	30.6	30.6	30.7	29.7	28.1	26.8	26.5	26.4	25.6	24.4	24.8	25.2
New Zealand												
Difference, New York	2.6	5.0	6.9	7.9	8.6	8.9	4.8	4.6	5.5	5.7	3.9	2.7

Seasonal nature of British supply

Any planned exportation of butter from the United States to British markets would involve careful consideration of seasonal movements of supply and price in those markets and their relation to normal movements in this country.

A pronounced tendency prevails normally for these seasonal movements in the two countries to complement each other, not fully, but to such a degree as to make shipment far more feasible in some months than in others. As shown in the summary tables below, on the basis of monthly average imports during the last 5 years, nearly two-thirds of the yearly imported supply reaches British markets during the 7 months, December-June, and prices (New Zealand butter) average highest in the 5 months, July-November.

Apparently, then, owing to the relatively heavy winter and spring supplies in Great Britain ever since Southern Hemisphere shipments became so important a part of the British butter supply, the London price of New Zealand butter approaches most nearly to New York prices in May, June, and July. Just as our importation of New Zealand butter (which competes with our best grades) is made in our winter and early spring, so exports competing with this butter in the British markets would be made most advantageously during our spring and summer months.

The situation as set forth briefly above suggests that the greatest advantage, or the least disadvantage in exporting at world market prices would be obtained if exportation were attempted in our spring months.

It is suggested further that the greatest possible advantage in strengthening the domestic butter market would result from purchase for export in early spring, coinciding as it does with the beginning of the into-storage movement in this country. Again, the end of our storage season, coincides with some secondary check in British imports accompanied normally by some advance in London prices.

TABLE 14. - BUTTER: Prices, Price Margins, Imports, Exports and Tariff Level, by Months
1932-1933

Year & month	Price per pound										Domestic exports	Tariff level per pound
	New York					London						
	92 score	Best	Danish	Zealand	over	Best	Zealand	Finest	over	New York		
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Pounds	Cents
1932-33												
July	18.18	18.26	17.43	17.43	17.43	17.43	17.43	17.43	17.43	17.43	157,346	14
August	20.31	18.31	17.77	17.77	17.77	17.77	17.77	17.77	17.77	17.77	257,853	14
September	20.76	19.56	18.63	18.63	18.63	18.63	18.63	18.63	18.63	18.63	96,141	14
October	20.72	18.76	18.12	18.12	18.12	18.12	18.12	18.12	18.12	18.12	99,326	14
November	23.20	18.45	15.32	15.32	15.32	15.32	15.32	15.32	15.32	15.32	90,498	14
December	24.11	18.44	13.71	13.71	13.71	13.71	13.71	13.71	13.71	13.71	138,333	14
January	19.85	17.35	13.21	13.21	13.21	13.21	13.21	13.21	13.21	13.21	142,142	14
February	18.65	17.11	12.99	12.99	12.99	12.99	12.99	12.99	12.99	12.99	250,540	14
March	18.17	16.17	12.72	12.72	12.72	12.72	12.72	12.72	12.72	12.72	389,246	14
April	20.66	15.40	12.08	12.08	12.08	12.08	12.08	12.08	12.08	12.08	71,683	14
May	22.54	17.29	14.97	14.97	14.97	14.97	14.97	14.97	14.97	14.97	97,161	14
June	22.84	17.69	16.03	16.03	16.03	16.03	16.03	16.03	16.03	16.03	88,819	14
1933-34												
July	24.53	20.59	17.73	17.73	17.73	17.73	17.73	17.73	17.73	17.73	81,694	14
August	21.31	21.75	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	77,506	14
September	23.60	24.31	22.28	22.28	22.28	22.28	22.28	22.28	22.28	22.28	54,706	14
October	24.04	23.93	22.22	22.22	22.22	22.22	22.22	22.22	22.22	22.22	92,961	14
November	23.6											
December	20.1											
January	19.8											

Division of Statistical and Historical Research. Compiled as follows: Prices - New York - Division of Dairy and Poultry Products. Average of daily prices. London-Agricultural Market Report, Ministry of Agriculture and Fisheries. Average of weekly averages, assuming week ends on date of publication, July 1922-Converted from shillings and pence per cwt. to cents per lb. as follows: Sept. 1931 - Oct. 1933 - Current monthly average rates of exchange. Imports and exports - Monthly Summary of Foreign Commerce of United States.

